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MEMORANDUM FOR: Director of Central Intelligence

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SUBJECT: Hamilton Fish Armstrong's Report on Lebanon,  
Jordan, and Iraq for the Special Senate Committee  
to Study the Foreign Aid Program

1. In late November and early December 1956 Mr. Armstrong made a three-week on-the-spot survey of the foreign aid picture in Lebanon, Jordan, and Iraq on behalf of the Special Senate Committee. Mr. Armstrong's 28-page report, which he himself summarizes on pages 26-28, makes the following general points:

a. As a basic step in solving the "ticklish problem of how to give away money without being disliked for it," the US government and people must themselves recognize more clearly that our economic aid programs represent neither altruistic "do-goodism" nor bribes but serve useful and legitimate purposes at both the giving and receiving ends. Mr. Armstrong believes that it would also help to have military and economic aid appropriated and administered separately.

b. Economic aid to the Middle East can be fully effective only as part of a larger politico-economic program. Mr. Armstrong stresses the obstacles to

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economic and social progress and the potential dangers created by inter-Arab and Arabi-Israeli animosities, and argues that the "initial effort" of the US should be directed toward securing a modus vivendi between Israel and one or more of the Arab states. He believes that the "logical spot to begin" is Jordan, whose position is precarious, and that supporting economic measures might include a new Jordan Valley irrigation plan, financing the return of a considerable number of refugees to less--then fully settled areas of Israel, a ten-year US-backed UN loan to Israel (replacing US official aid) on specified conditions regarding frontiers and refugees, and a similar UN loan to Jordan also carrying conditions regarding absorption of refugees.

c. As feasible (e.g., through achievement of an Israeli modus vivendi) the US should seek to develop an integrated scheme of cooperative regional development, which would help ease political strains and permit reduction of US aid to individual countries. Such a program, which would ideally embrace the non-Arab Baghdad Pact countries, might include such projects as a truck highway from

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the Mediterranean to the Persian Gulf, additional oil pipelines, a regional approach to Nile waters development, emergency grain storage facilities throughout the area, and development of credit facilities for farmers and small businessmen.

d. US aid programs should take account of the political impossibility of acting in partnership with either the UK or France and of continuing Arab unhappiness over the relatively large proportion of US aid going to Israel.

3. Although Mr. Armstrong perceives no "fundamental fault" in ICA's organization and methods, he offers a number of suggestions for improving operations, including the easing of legal and administrative requirements, better and faster personnel procurement, development of a central point of ICA contact in recipient governments, and the appointment of local ICA advisory councils. He stresses the need for settling once and for all on a trade-mark for US aid activities, noting that "Point 4" is still widely recognized in the field as such a symbol where ECA, MSA, FOA, and now ICA are not. He also recommends expansion of educational and exchange of persons

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activities and calls attention to the urgent need to appoint a president of the American University of Beirut and a US member on the Iraq Development Board. (These posts have now been filled.)

4. Mr. Armstrong's report also contains a summary of his impressions of each of the three countries he visited, together with special recommendations regarding local aid problems and opportunities therein.

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